




**Audit and Management Consulting Division  
Office of Internal Oversight Services**

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14 March 2001

To: Mr. Rolf Goran Knutsson, Executive Secretary  
United Nations Compensation Commission

From: Esther Stern, Director   
Audit and Management Consulting Division, OIOS

Subject: **OIOS Audit of UNCC Procurement of Consultancy Services (AE2000/26/2)**

1. I am pleased to present the report on the Audit of UNCC Procurement of Consultancy Services, which was conducted from June to September 2000.
2. We note that UNCC has commenced implementation of the recommendations and we consider Recommendation Nos. 1, 3 and 4 as closed. In order for us to close out the remaining recommendations – Recommendation Nos. 2 and 5 of the final report, we request that you provide us with a time schedule for their implementation. I would appreciate receiving your reply by 15 April 2001.
3. AMCD is assessing the overall quality of its audit process and kindly requests that you consult with your managers who dealt directly with the auditors and complete the attached client satisfaction survey form.
4. I take this opportunity to thank the management and staff of UNCC for the assistance and cooperation provided to the auditors in connection with this assignment.

Copy to:  
UN Board of Auditors  
Planning and Compliance Officer, OIOS  
C. C. Chavez, Chief, European Section, AMCD



**United Nations**  
**OFFICE OF INTERNAL OVERSIGHT SERVICES**  
**Audit and Management Consulting Division**

**Audit Report**

**OIOS Audit of United Nations Compensation Commission**  
**Procurement of Consultancy Services**  
**AE2000/26/2**

**14 March 2001**

**Auditor: Wong Foong Yee**

**Audit of UNCC Procurement of Consultancy Services**  
**(AE2000/26/2)**  
**Executive Summary**

The Office of Internal Oversight Services conducted an audit of the Procurement of Consultancy Services at the United Nations Compensation Commission (UNCC) from June to September 2000. Out of the approximately 2.6 million claims valued at more than \$300 billion, UNCC has verified more than 2.5 million claims valued at \$12 billion since 1991. In processing the remaining 17,000 more complex and larger value claims amounting to \$288 billion in January 1997, UNCC started to outsource the services of external consultants to assist in the valuation of the claims. The audit evaluated the adequacy of internal controls in the procurement of the consultancy services including the bidding process, evaluation of bids, and selection of consultant firms, with a view to achieving value-for-money. The audit also reviewed the controls in place for administering the contract, monitoring of the consultants' work and effecting payments to the consultant firms.

**Results in Brief**

OIOS found significant changes in the contracting procedures for the procurement of consultancy services from the time UNCC first started to hire consultants. UNCC has formalized procedures in its Standard Operating Procedures (SOP) relating to its work and procurement of consultant services, and has been responsive to audit suggestions.

Significant audit findings are summarized below:

- Weaknesses under the systems contracts included having only four consultant firms being utilized, inadequate terms of reference (TOR), lack of clear criteria for evaluation of bids and lack of formal appraisal of the consultants' performance. These weaknesses were later rectified with the implementation of changes in the subsequent long-term contracts and contracts for other projects.
- Criteria for the expertise mix required of bidders was not explicitly specified in the request for proposals (RFP). Some of the bidders that quoted the lowest costs were disqualified in the bids evaluation for not meeting the acceptable ranges of expertise mix. Had these bidders been apprised of the acceptable ranges, they may have modified their RFPs accordingly. Hence, it is possible that UNCC may not have obtained the best value-for-money in its procurement of consultancy services.
- Variation orders resulted from additional work requested by the Panels of Commissioners in the course of their review of the work of the consultants. UNCC expressed its difficulty in preempting the Commissioners' requirement for additional work not incorporated in the initial TOR. The Committee on Contracts (COC) agreed that certain variation orders under the long-term contracts need not be presented for the COC's approval, subject to stipulated conditions.

- Differences in amounts invoiced and paid to consultants were found in payments records kept by departments within UNCC. Correct payment records are particularly important considering that after 2003, the existing staff members may no longer be available to clarify any discrepancies in the case of disputes by the consultants regarding payments of their invoices. Invoices that should not be paid for various reasons should be confirmed as being cancelled by the respective consultant firms.
- Both the RFP as well as the terms of the contract require the bidders and contractors to submit detailed curricula vitae (CVs) of the prospective team members. However, in verifying the invoices and timesheets submitted by the consultants, it was found that this was not always done. It was therefore doubtful if UNCC could assure itself of the quality of the team members assigned by the consultant firm, especially when the work was not carried out at the UNCC's office.

### **Recommendations**

OIOS made the following recommendations to improve the administration of the procurement of consultancy services at UNCC.

UNCC should:

- Explicitly specify in the RFP to potential bidders the criteria for evaluation of the bids and state that failure to comply with the criteria would result in disqualification of the bids;
- Incorporate in UNCC's SOP the procedures for processing variation orders on long-term contracts, since these will be on-going until the UNCC Work Program finishes in 2003;
- Strengthen payments controls and reconcile any differences in interdepartmental records regarding contract values, amounts invoiced and payments to the consultants in order to avoid confusion between amounts invoiced and amounts actually paid;
- Enforce the terms of the contract by ensuring that detailed curricula vitae of every team member are submitted to UNCC and duly approved in writing prior to their duty with the relevant teams.

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**Audit of UNCC Procurement of Consultancy Services  
(AE2000/26/2)**

**I. INTRODUCTION**

1. The Office of Internal Oversight Services (OIOS) conducted an audit of the Procurement of Consultancy Services at the United Nations Compensation Commission (UNCC) from June to September 2000. The audit was performed in accordance with the general and specific standards for the professional practice of internal auditing in United Nations organisations and, accordingly, included such tests and other procedures as the auditors considered necessary in the circumstances. At the exit conference, we discussed our findings and recommendations with UNCC officials responsible for consultancy services and provided them with a Summary of Reportable Issues. Their comments on the draft are included in this report where appropriate and are shown in italics.

2. Since 1991, the UNCC has received approximately 2.6 million claims from individuals, corporations, governments and international organizations seeking compensation for losses worth more than \$300 billion as a result of Iraq's unlawful invasion of Kuwait in 1990/1991. The UNCC has verified, using its in-house expertise, more than 2.5 million claims with an asserted value of about \$12 billion. These were primarily claims in categories A, B, and C, which were submitted by individuals. In January 1997, UNCC started to contract consultant firms to assist in the valuation of the 17,000 more complex and larger compensation claims for losses suffered by corporations, governments and international organizations, with an asserted value of about \$288 billion.

3. As at the end of September 2000, UNCC had signed a total of 40 consultancy service contracts, at a value of \$37.3 million in professional fees and reimbursable out-of-pocket expenses. UNCC had instituted formalized procedures and adequate controls over the bidding process, pre-qualification of potential bidders, criteria for bids evaluation and selection of consultant firms, performance appraisal of consultants' work, and payment of invoices. The Standard Operating Procedure (SOP) of UNCC dated 7 July 2000 and the revised SOP of the Verification and Valuation Support Branch (VVSb) dated 1 September 2000, included UNCC's procedures for the procurement and work of the consultant firms.

**II. AUDIT OBJECTIVES**

4. The audit objectives were to:

- (a) Evaluate the adequacy of internal controls over the contracting process and determine compliance with prescribed rules and procedures;
- (b) Determine whether the selection of consultants was adequately documented, rational and achieved value-for-money; and

- (c) Evaluate the economy, efficiency and effectiveness of the contract administration and monitoring system.

### **III. AUDIT SCOPE AND METHODOLOGY**

5. The audit evaluated the adequacy of internal controls in the bidding process, bids evaluation, selection of consultant firms with a view to achieve value-for-money, administration of the contract, monitoring of the work of the consultants and payments to the consultant firms. We reviewed contract documents maintained by the UNCC Executive Office, VVSB and Legal Services Branch (LSB), and verified some of the information to records at the Purchase and Transportation Section (PTS) and Committee on Contracts (COC). We interviewed UNCC officials who were involved in procurement, contract administration and monitoring of the work of the consultants. We also analyzed the UNCC's bid evaluation working papers and vouched contract payments to invoices and time sheets submitted by the consultant firms.

6. We reviewed a sample of 15 of the 40 consultancy service contracts with a total value of \$26.75 million or 72 per cent of the total amount contracted from January 1997 to September 2000. This sample included all contracts for which the variation orders exceeded 25 per cent of the original contract value. Appendix A shows the total contracts signed for consultancy services.

### **IV. AUDIT FINDINGS AND RECOMMENDATIONS**

#### **A. Changes in Contract Approach: Systems Contract, Long-term Contract and 'Other Projects'**

7. In January 1997, UNCC started to hire consultant firms to assist in its review of claims. To-date, there have been three discernible approaches in its bidding procedures. These were the systems contracts of January 1997 to July 1998, the long-term contracts of August 1998, and the contracts of 'other projects' signed after August 1998.

#### **Systems Contracts**

8. The systems contracts, which were signed between January 1997 and July 1998 with four consultant firms, resulted from a bidding exercise where an RFP was sent to eight world-class accounting firms and nine loss-adjusting firms identified jointly by PTS and UNCC. Based on the evaluation of bids by UNCC and the declaration of potential conflict of interest by certain bidders, four proposals were recommended to the COC for approval.

9. As it was not considered possible at the time to determine the exact extent and expertise required of the consultants, PTS and UNCC proposed that systems contracts be established with all four

qualified bidders. This arrangement provided a general framework for subsequent assignments, by stating the contractual obligation and hourly rates to be charged by the selected bidders in their initial proposals. Under the systems contract proposal, UNCC was under no obligation to commit any UN funds to the consultant firms until a formal contract was signed for an actual assignment. For each group of claims that requested consultant expertise, PTS issued a Request for Quotation (RFQ) to the four qualified bidders. The consultant firms responded by submitting a detailed quote for the completion of the assignment, based on the hourly rates. UNCC evaluated the quotations and made its recommendation through PTS to the COC.

10. The COC expressed its concern that UNCC had been too strict when considering potential conflicts of interest, with the result that only four firms were retained out of seventeen firms contacted. After deliberation, however, the COC recommended the award of systems contracts to the four consultant firms, namely BDO Binder, Cunningham, Davies/Campos & Straits, and Gab Robins. The COC directed PTS to submit the respective contractors recommended for each group of claims for the COC's consideration.

### **Weaknesses in the Systems Contracts**

11. OIOS noted the following weaknesses in the systems contracts:

- (a) Considering the large contract values involved, having only four consultant firms may not have been cost effective. The COC also expressed its concern at having to endorse a monopoly situation whereby a single company would be awarded a five-year contract for processing claims worth several billions of dollars.
- (b) The contracts' terms of reference (TOR) were not clear as to the areas of expertise and number of hours required;
- (c) There was inadequate information in the TOR regarding on-site inspections, reporting and other vital information;
- (d) There was a lack of clear criteria for evaluation of proposals;
- (e) The basis for evaluation of bids was not established in advance;
- (f) There was a lack of formal appraisal of the contractors' work performance; and
- (g) On top of the professional fees, a '5 per cent uplift' was charged on the fees by the contractors. All of the contractors took advantage of the terms of payment in the RFP which provided that "the contractor may not, without the prior written consent of the UNCC, charge more than 5 per cent above the amount of the price quotation." The terms of payment did not specify the circumstances under which the 5 per cent uplift could be paid.



### Long-term Contracts

12. In the context of the tight timetables set out in the Work Programme that requires completion within five years by July 2003, UNCC proposed a change in its strategy aimed at speeding up the review cycles and increasing consistency. An ad hoc Working Group consisting of representatives of UNCC, PTS and OIOS was formed to consider the options proposed by UNCC, and to assist PTS in identifying potential bidders, procurement strategy and evaluation of bids. The Working Group recommended a long-term contract strategy to the COC. This proposed change was reflected in the five long-term contracts that were signed in August 1998 with contract periods from three to five years (Appendix A refers).

13. UNCC rectified the above mentioned weaknesses in the systems contracts, by implementing the following changes in the subsequent long-term contracts and 'other projects' contracts. UNCC has:

(a) Increased the number of potential bidders by advertising internationally a Request for Expression of Interest (RFEI). From the 66 responses received from companies in 19 countries, a final list of 25 pre-qualified firms was established;

(b) Revised the TOR for the RFP by incorporating more detailed information, including mandatory criteria, on-site inspection, tasks and reports required. The revised TOR served as a model for subsequent RFPs. PTS sent the RFPs to each of the pre-qualified firms requesting their quotes for each installment of claims within the E3, E4 and F3 panels. Two consultant firms were selected for each of the five long-term contracts for the E3, E3A, E4, E4A and F3 categories of claims. Procedures called for UNCC to submit the bid evaluation criteria to PTS at least three working days prior to the public opening of bids;

(c) Established formal criteria for evaluation of bids, covering quantitative and qualitative aspects of the bids;

(d) Developed a framework for the evaluation and analysis of bids consisting of:

- A Bids Administration and Evaluation System template that included statistical and comparative analysis of the bids data; and
- A Bids Evaluation Narrative format to present the results and recommendation arising from the bids evaluation;

(e) Implemented a performance appraisal system that evaluated the contractor's work on a monthly basis. The Legal Officer, Team Leader and VVSB Officers evaluated the work of the consultants using a grading system of 0 to 4. The evaluation covered (i) the consultants' development of methodology, (ii) application of methodology, (iii) quality of written report, (iv) presentation of reports, (v) ability to meet specified deadlines, and (vi) soundness of valuation recommendation. Where the overall appraisal rating was below 2, UNCC notified the consultant

firm concerned to take remedial action; and

(f) Discontinued the provision of the 5 per cent uplift on professional fees in subsequent contracts.

OIOS is of the view that UNCC has adequately addressed the deficiencies.

### **'Other Projects' Contracts**

14. The contracts for '**other projects**' subsequent to the long-term contracts of August 1998 used the same methodology, except that these contracts are for individual claims and are for a shorter duration of between one to three years. RFPs for the 'other projects' contracts were sent to the same list of pre-qualified firms identified under the RFEI for long-term contracts in 1998. A separate RFEI was launched for the F4 'environmental claims', as these claims required special expertise.

#### **B. Proportion of Expertise Mix was not Specified Explicitly in the RFPs**

15. In the TOR in the RFP, UNCC specified the type of expertise required of the bidders, including accounting and loss adjusting/property valuation. For example, the TOR for E3 and E3A projects specified in paragraph 6.4 that:

"... Only bids from the bidders that, in UNCC's sole discretion, possess both the required accounting expertise and loss adjusting/property valuation expertise will be considered. ... Proposals which, in the opinion of the UNCC Secretariat, do not adequately cover both areas of expertise will be automatically rejected. Each bidder is informed that a higher concentration of accounting and a lower concentration of loss adjusting/property valuation expertise is required for the work to be performed under this RFP." (underscored by OIOS)

16. The TOR did not specify the acceptable proportion of expertise mix required of the bidders. However in the criteria for evaluation of bids, UNCC's in-house accountants and loss adjusters defined the acceptable range of mix of expertise as follows, with a tolerance of +/- 5 per cent on either side of these ranges: (i) Accounting, 60% - 70% and (ii) Loss adjusting, 30% - 40%.

17. Appendix 'B' shows the bids received for the E3 and E3A projects. Out of the eight bids received, three bids were found to be unacceptable, as they were outside the acceptable ranges defined in the TOR. They were:

Crowe Chizek/Marshall	19% - 81%
RSM/Crawford	47% - 53%
Atag Ernst & Young	16% - 84%

The two lowest quotes received in that bidding exercise were Crowe Chizek/Marshal's bid for \$3.99 million, and RSM/Crawford's bid for \$4.18 million. However, both bids were disqualified for inadequate expertise mix. It was noted that Crowe Chizek/Marshal's proposal of expertise mix met the requirement of UNCC as stated in the RFP (see paragraph 15 highlighted in underscore), although it did not meet the criteria for evaluation that was not disclosed explicitly to the bidders. The third lowest bid was submitted by BDO/Cunningham, at \$4.5 million, which was awarded the E3A contract; while the contract for E3 was awarded to Deloitte & Touche/Miller Fisher which submitted a quote of \$4.7 million.

18. UNCC's rationale for not specifying in the TOR the acceptable range of expertise mix was to enable it to judge from the expertise mix proposed in the bids whether the bidders had understood fully the nature and scope of work expected of them. Moreover, as the acceptable range of expertise mix had been used in earlier bidding exercises, UNCC wished to apply the same evaluation criteria consistently in all the bids.

19. However, OIOS is of the view that the proposed hours of work required, number and level of staff members assigned sufficiently provide the UNCC with a reasonable basis of judging whether the bidders clearly understood the nature and scope of work required of them. Moreover, the RFP specifically provided for staff substitutions at no additional cost in order to better respond to the specialised nature of the claims. Thus, the opportunity was available for UNCC to request the contractor to substitute accounting/loss adjusting expertise, or bring in other specialist expertise at no additional cost to UNCC.

### **Recommendation 1**

OIOS recommends that UNCC management ensure that the TOR in future RFPs for consultancy services specify the acceptable range of expertise mix when such a range is used as criteria in the bids evaluation. By eliminating bids not meeting expertise mix criteria, the UNCC may not obtain value-for-money. (AE2000/26/2/01)

20. After bringing this matter to the Chief of VVSB, a change was made in the bidding exercise for the E1 Installment 8 to 10 contract. The bids evaluation criteria dated 29 September 2000 did not restrict the expertise mix and instead accepted a minimum of at least 5 per cent accounting input. It was noted that none of the proposals received were disqualified on the criteria of inadequate expertise mix.

### **C. Basis for Selection of Bidders**

21. Contracts for UNCC consultancy services are awarded to the lowest acceptable bidder, pursuant to Financial Rule 110.21, based on the total price quoted by the bidders for the full completion of the project. The total prices quoted consist of professional fees and out-of-pocket expenses.

22. Although the actual reimbursement of expenses form only a small percentage of the total costs paid by the UNCC in each contract, some of the bids that quoted lower professional fees had comparatively higher total prices because they estimated higher expenses. The audit showed that UNCC would have obtained better value-for-money in their selection of consultant firms, if the bids had been evaluated based on the quotes for professional fees alone, excluding estimated expenses. The reason for comparing only professional fees is that the actual travelling in terms of number of persons, trips and duration are controlled by UNCC and are reimbursed based on actual expenditure incurred as supported by bills and invoices. Although the cost of the air tickets differs among the bidders from different countries, the rates for daily subsistence allowance for such trips are the same for all bidders, as these are based on the UN's per diem rates.

23. The audit found that UNCC's evaluation of bids based on the total price had resulted in eliminating the bidders having the lowest professional fees, which is the major cost component paid by UNCC. UNCC's rationale for deciding to continue to use the total price rather than professional fees as the basis for evaluation was to consistently apply the same evaluation basis in all of the bidding exercises.

24. Appendix 'C' attached illustrates the difference in the outcome between UNCC's analysis based on total fees, compared to the audit analysis based on professional fees alone. The contracts for E3 and E3A projects were awarded to Deloitte Touche/Miller Fisher for \$2.065 million and BDO Binder/Cunningham \$2.415 million, respectively. However, if the evaluation was based on professional fees instead of lump-sum fees and expenses, the lowest acceptable bids for the E3 contract would have been \$1.667 million quoted by Crowe/Chizek and \$2.233 million quoted by RSM for the E3 contract.

25. UNCC management concurred with the audit finding however they felt that, with only four smaller contracts remaining, it would not be practical to change the methodology at this time. While it is OIOS' opinion that professional fees, instead of total fees, should have been used as the basis of the evaluation, we agree that it may not be feasible to amend the evaluation methodology at this time.

#### **D. Justification for Variation Orders**

26. In view of the large number of variation orders in the contracts for consultancy services, OIOS reviewed all variation orders that exceeded 25 per cent of the original contract value. With the exception of the variation orders for long-term contracts as noted in paragraph 29, justifications were given in writing and presented to the Committee on Contracts for approval.

27. The contract documents reviewed indicated that the variation orders arose mainly as a result of requests by the respective UNCC Panels of Commissioners for additional work not foreseen in the initial TOR. The requests for variation orders were presented to the Committee on Contracts for

consideration and approval. As this audit did not review the claims processed by the consultants, it was not possible to comment on the basis of the panel's recommendations for additional work.

28. OIOS noted that the 42 Commissioners serving the 14 Panels were appointed from 33 countries, and that the Panels of Commissioners meet at the UNCC's office in Geneva on the dates scheduled in the UNCC Work Programme. The Panels' involvement in the review of the claims processing occurred only after the contractors had completed their substantial work. According to UNCC, given the nature of its work programme, it was not possible to pre-empt the Commissioners' requests for additional work and incorporate the requirements in the initial TOR. Thus, the decisions by the Panels of Commissioners that requested additional work from the consultants invariably resulted in variation orders.

29. In respect of the five long-term contracts, the COC agreed that variation orders should be presented for their approval only when:

- the variation substantially changes the consultants' work;
- the individual variation exceeds \$50,000; or
- the variations under each contract exceed an accumulated value of \$150,000.

In agreeing to the above conditions, the COC requested, at its Meeting held on 24 February 1999 (PV2/99) and in an internal memorandum dated 4 August 1999, that all variations be summarized and presented annually for information purposes.

## **Recommendation 2**

In view of the long-term contracts that are on-going until the year 2003, OIOS recommends that UNCC management incorporate the procedures and conditions for the review and approval of variation orders into the Standard Operating Procedures of UNCC.  
(AE2000/26/2/02)

30. *UNCC agreed to incorporate these procedures in its next revision to the Standard Operating Procedures.*

## **E. Payments Controls Need to be Improved**

31. The Executive Office receives the invoices submitted by the consultant firms, and forwards them to the VVSB for verification. SOPs require that the Team Leader and VVSB Officer verify the invoice against timesheets, progress reports, terms of contract and performance appraisal on the consultants' work. The invoices that are verified as correct by the Team Leader and the VVSB Officer are then certified by the VVSB Chief and forwarded to the Executive Office for payment.

32. The Executive Office maintains a payment record on each contract that shows invoiced amounts paid, the original contract value and any subsequent approved variation orders. Differences were observed between the records of the Executive Office and those of the VVSB, which recommends the invoices for payment. In the course of processing the claims, the number of claims under a given contract can be increased or decreased, due to the transfer of claim files into or out of the respective installments. This causes a corresponding change in the contract value of the consultants' work which is duly adjusted in the records of VVSB. However, the payment records of the Executive Office do not reflect such changes in contract value, as it was not informed of the adjustments made by VVSB. When the work programme of the UNCC closes at the end of year 2003, and the staff concerned are no longer available to clarify any discrepancies in amounts billed and paid, OIOS believes that it is very important that the internal documentation and records of payment agree.

### **Recommendation 3**

OIOS recommends that UNCC management ensure that any changes in the value of the contracts are communicated in writing by VVSB to the contractor, the Executive Office and PTS for information.  
(AE2000/26/2/03)

33. *After this matter was discussed with the Executive Officer and VVSB Chief, the two offices started to reconcile the payment records of all the consultancy contracts signed since January 1997 to date. Both offices have agreed to carry out reconciliation of their records on a quarterly basis and to formalize periodic reconciliation in the UNCC SOP.*

34. The consultant firm BDO Binder issued an invoice dated 25 June 1999 for \$419,724 in respect of work done from 1 October 1998 to 31 May 1999 on project E1/4. This invoice was not paid, and a subsequent invoice dated 15 October 1999 for \$600,000 billed UNCC for work from 1 October 1998 to 30 September 1999. However, nothing was written on the earlier invoice to indicate that it was not to be paid, nor was there any confirmation in writing from the contractor cancelling this invoice. OIOS recommended that the original invoice of 25 June 1999 be cancelled by the contractor, and cross-referenced to the subsequent invoice that was paid. We subsequently noted that another invoice dated 20 August 2000 for \$434,999 which was replaced by an updated bill, was withdrawn in writing by the contractor on 3 November 2000.

35. Similarly, in project E1/2, we observed that BDO Binder invoice dated 17 November 1998 for \$456,820.65 was not paid and should be cancelled since it was also replaced by an updated bill. However, the invoice was left in the file without any explanatory note.

#### **Recommendation 4**

OIOS recommends that VVSB advise BDO Binder and other contractors in writing to cancel invoices that were not to be paid because they were replaced by updated bills. This will avoid any confusion or claims for duplicate payment at a later stage. Where it is not possible to contact the contractor concerned, as in projects that have been completed, a note should be written on the original invoice indicating that the invoice should not be paid, together with the reason(s) for non-payment. (AE2000/26/2/04)

36. *VVSB agreed and has written to the BDO Binder requesting cancellation of the invoice. The VVSB Chief has also agreed to assign a staff to check the other contracts that were not covered in the audit sample to ensure that similar action is taken to cancel all invoices that should not be paid, and to keep the Executive Office informed accordingly.*

#### **F. Missing Curriculum Vitae of Team Members**

37. The TOR attached to the RFPs explicitly required all bidders to provide information on the size and composition of their proposed teams and to include detailed curricula vitae (CV) of each proposed member. The contract terms also required the contractor to submit the CV of any additional personnel or replacement staff before they are appointed.

38. In the original bid documents for project E1/4, BDO Binder listed the names of nine team members. However, only two CVs were included in the original bid documents. A further check of the time sheets and the two invoices for this project showed that CVs were not submitted for seven of the team members shown on the time sheets.

39. In verifying the invoices and timesheets for other projects, it was observed that some CVs were not in UNCC files. While some of the CVs were produced upon audit query during the audit, CVs were not produced for the following projects:

- E1/2: - Seven team members mentioned in the price quotation
- Three team members listed on the timesheet
- E1/3: - Six team members
- F3: - Two team members
- F4: - Four team members not included in the original bids

## Recommendation 5

OIOS recommends that the VVSB be more vigilant in ensuring compliance by contractors to the terms of the contract concerning the requirement of having CVs of team members, presented to VVSB for review and approval before they are placed on the team. Without doing this, it is doubtful whether UNCC can assure itself of the quality of the team members assigned by the consultant firm, which is important especially when the consultants carry out their work away from UNCC's office in Geneva. (AE2000/26/2/05)

*VVSB agreed to obtain a copy of the relevant CVs and keep them on file. At the same time, a staff member has been designated to check all the other contracts not covered in this audit sample to ensure that the CVs of all team members included in the original bids and timesheets are kept on file. UNCC should also stress to the consultants their contractual obligations regarding appointment of team members and the consequences of not complying with this requirement.*

## V. ACKNOWLEDGEMENT

40. We wish to express our appreciation for the assistance and cooperation extended to the auditor by the management and staff of UNCC.



Esther Stern  
Director

Audit and Management Consulting Division, OIOS



## Appendix 'A'

### UNCC Consultancy Contracts

Projects	Duration		Consultant Firm	Contract Amount (USD)	Variation Order (USD)	%
	From	To				
<b>Systems Contracts</b>						
* E1/2	05.01.98	05.12.98	BDO Binder	1,105,500.00	233,060.00	21%
* E1/3	17.07.98	28.02.99	Cunningham	82,898.00	35,459.00	43%
* E2/1	28.02.97	26.11.98	Cunningham	187,430.00	58,535.00	31%
E2/2	01.01.98	31.12.98	Cunningham	281,336.00	57,152.00	20%
* E2/3	05.01.98	31.12.99	BDO Binder	208,260.00	85,640.00	41%
* E2/4	24.05.98	31.12.99	GAB Robins	190,320.00	134,840.00	71%
* E3/1	18.06.97	31.05.99	GAB Robins	165,000.00	164,380.00	100%
E3/2	01.01.98	28.02.99	GAB Robins	203,170.00		
E4/Task 1	18.01.97	15.08.97	Davies/Campos & Straits	411,000.00		
E4/Tasks 2 & 3	05.01.98	31.12.98	Cunningham / BDO Binder	529,610.00	55,240.00	10%
F1/1	28.04.97	30.10.97	Cunningham	144,654.00	30,318.00	21%
* F1/2	05.01.98	31.07.98	Cunningham	75,344.00	36,065.90	48%
F1/3	23.06.98	24.01.99	Cunningham	72,932.00	7,212.50	10%
F2/1	14.04.98	31.07.99	BDO Binder	611,560.00	56,621.00	9%
<b>Sub/total I</b>				<b>\$4,269,014.00</b>	<b>\$954,523.40</b>	<b>22%</b>
<b>Long-term Contracts</b>						
* E3	07.08.98	31.12.02	Deloitte & Touche / Miller Fisher	2,065,020.00		
* E3A	07.08.98	31.12.02	BDO Binder / Cunningham	2,415,686.00	10,112.50 18,526.25	2% 27%
* E4	07.08.98	31.08.03	BDO Binder/ Cunningham	5,661,848.00	149,960.00	3%
* E4A	07.08.98	31.08.03	Crowe Chizek / Marshall	4,699,129.00	136,864.00	3%
* F3	17.08.98	30.06.01	Deloitte & Touche / Miller Fisher	5,269,014.00	399,070.00	8%
<b>Sub/total II</b>				<b>\$20,110,697.00</b>	<b>\$714,532.75</b>	<b>4%</b>

Projects	Duration		Consultant Firm	Contract Amount (USD)	Variation Orders (USD)	%
	From	To				
<b>Other Projects</b>						
D4	05.01.98	31.12.98	Crawford-THG	243,960.00	38,666.00	16%
* D1/4	01.01.99	01.08.00	Mazars & Guérard	534,769.00	31,620.00	6%
D7	04.12.98	01.08.00	Mazars / Guerard	394,660.00	74,886.00	19%
D8/9	01.07.99	01.07.00	BDO Hayward	340,750.00	24,308.00	7%
E/F 3 & 4	15.05.00	31.10.02	Ernst Young /GAB Robins	303,065.00		
* E1/4	30.10.98	30.05.00	BDO Hayward	785,548.00	384,451.00	49%
E1/6 & 8	04.08.99	31.07.02	Campos & Straits	693,815.00		
E2 10-12-14	23.06.00	31.03.03	Cunningham International	1,370,745.00		
E2 11-13-15	23.06.00	31.03.03	Campos & Straits	1,272,205.00		
E2/5	07.10.98	30.05.00	Mazars / Guerard	673,152.00	107,812.00	16%
E2/6	04.03.99	30.09.00	RSM Int'l / Crawford	334,343.00		
E2/7	10.06.99	31.12.00	Cunningham Int'l	277,530.00	34,342.40	12%
E2/8	01.03.00	31.05.01	Campos & Straits	298,490.00		
E2/9	19.04.00	31.08.01	Pannell Kerr Forster / Ashworth Mairs Group	381,160.00		
F1/4	10.10.98	01.06.00	RSM / Crawford-THG	194,181.00	6,156.00	3%
F1/5	01.05.99	30.06.00	RGL Int'l / Davies	233,228.00		
F1/6	28.12.99	30.06.01	Ernst Young / GAB Robins	165,580.00		
F2/2	08.04.99	30.10.00	GAB Robins	206,665.00	43,560.00	21%
F2/3	29.12.99	30.09.01	RGL Int'l / Davies	363,104.00		
* F4	25.02.00	31.05.01	Industrial Economics	1,432,347.11		
<b>Sub/total III</b>				<b>\$10,499,297.11</b>	<b>\$745,801.40</b>	<b>7%</b>
<b>GRAND TOTAL (I + II + III)</b>				<b>\$34,879,008.11</b>	<b>\$2,414,857.55</b>	

**No. of Contracts**

**Total Value (USD)**

40 signed

\$37,293,865.66

15 reviewed as part of  
the audit

\$26,756,696.76  
(72% of total contract value)

**Appendix 'B'**  
**Evaluation of Bids for E3 Panel Claims**

**Bids received for the E3 Panel Claims:**

No.	Name of Bidder	Professional Fees	Out-of-pocket Expenses	Total
1.	Crowe Chizek/Marshall	\$3,312,850	\$678,194	\$3,991,044
2.	RSM/Crawford THG	3,934,753	251,198	4,185,951
3.	BDO/Cunningham	4,008,312	437,550	4,445,862
4.	Deloitte Touche/Miller	4,098,755	469,108	4,567,863
5.	Atag Ernst & Young	8,432,671	232,356	8,665,027
6.	Arthur Andersen	8,376,525	472,480	8,849,005
7.	Gab Robins/Pennell	14,083,371	548,464	14,631,835
8.	RGL/Madsen/Axis	Disqualified - Conflict of interest		

The E3 Panel claims were grouped into 22 instalments reviewed by 2 concurrent Panels, E3 and E3A

The two lowest cost proposals were rejected due to unacceptable expertise mix:

- a) Crowe Chizek - Quoted accounting 81%, loss adjusting 19%
- b) RSM/Crawford - Quoted accounting 47%, and loss adjusting 53%

## Appendix 'C'

### Analysis of Bids for E3 Panel Claims

No.	Name of Bidder	Analysis by UNCC *		Audit Analysis **	
		E3	E3A	E3	E3A
1.	Crowe Chizek/Marshall	\$1,667,646	\$2,323,398	\$1,360,100	\$1,952,750
2.	RSM/Crawford THG	1,951,998	2,233,953	1,834,735	2,098,895
3.	BDO/Cunningham	2,030,178	2,415,686	1,833,976	2,174,336
4.	Deloitte Touche/Miller	2,065,020	2,502,843	1,855,458	2,243,201
5.	Atag Ernst & Young	4,118,585	4,554,350	4,013,033	4,427,546
6.	Arthur Andersen	3,169,210	5,679,795	2,987,770	5,388,755
7.	Gab Robins/Pennell	6,505,631	8,126,204	6,261,629	7,821,742
8.	RGL/Madsen/Axis	2,713,300	3,215,150	2,313,300	2,727,150

\* UNCC's analysis: based on total fees (i.e. professional fees and expenses)

\*\* Audit analysis: based on professional fees